

November 30, 2018

Ms. Brieanne Aguila  
California Air Resources Board  
1001 "I" Street  
Sacramento, CA 95814

Dear Ms. Aguila:

Subject: Comments on the Proposed Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, 15-day changes (posted November 16, 2018)

The Los Angeles Department of Water and Power (LADWP) submits for your consideration the following comments on the proposed additional changes to the California Air Resources Board (CARB) Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (MRR).

**Energy Imbalance Market, Imported Electricity [MRR section 95111(h)]**

We appreciate the simplicity of the revised proposal for reporting Energy Imbalance Market (EIM) electricity imported to California. However, there are two remaining concerns relating to accuracy of the calculated emissions and allocation of the emissions to the market participants. LADWP sees two factors that will result in inaccurate accounting of EIM Greenhouse Gas (GHG) emissions:

- 1) Calculating emissions using the MRR default GHG emission factor for unspecified electricity instead of the actual EIM system average emission rate, and
- 2) Assigning the compliance obligation for the "EIM Outstanding Emissions" based on total retail sales instead of actual electricity purchased from the EIM market.

Each of these factors is discussed in more detail below.

- 1) CARB is proposing to apply the MRR default GHG emission factor for unspecified electricity to calculate emissions for EIM electricity imported to California. The MRR default GHG emission factor was calculated in 2010 based on marginal generating resources within the entire western interconnected electric grid, and is based on 10-year-old data. The EIM market is a subset of the western interconnected grid; therefore use of the MRR default GHG emission factor may overestimate emissions associated with EIM electricity imported to California. It would be more accurate to use the actual EIM system average GHG emission rate that could be calculated by the EIM market operator on an annual basis, rather than the MRR default GHG emission factor. The EIM system average GHG emission rate would be more accurate by reflecting the actual EIM generating resources and it could be updated every year. However, if CARB chooses to use the MRR default emission factor, LADWP encourages CARB to update that factor to reflect changes in generating resources that have occurred in the western grid over the past 10 years.

- 2) CARB is proposing to distribute the "EIM Outstanding Emissions" to EIM electricity purchasers based on the EIM Purchaser's total retail sales, which does not accurately reflect the amount of electricity each EIM participant actually purchased from the EIM market. As a result, some EIM participants will over-pay and some will under-pay for emissions relative to their actual share of electricity purchased from the EIM market. It would be more accurate to divide up the EIM emissions based on each EIM Purchaser's relative volume of participation in the EIM market (i.e. actual EIM market purchases based on final settlement data) rather than total retail sales.

Lastly, LADWP asks CARB to clarify who has the Cap-and-Trade compliance obligation for the "Deemed Delivered EIM Emissions".

- MRR section 95111(h)(1)(A) *EIM Outstanding Emissions as calculated by CARB* states that "EIM Outstanding Emissions" equals "Total California EIM Emissions" less the sum of "Deemed Delivered EIM Emissions" as reported by EIM Participating Resource Scheduling Coordinators in section 95111(h)(1)(C).
- MRR section 95111(h)(1)(C) *Deemed Delivered EIM Emissions Reported by EIM Participating Resource Scheduling Coordinators* requires the EIM Participating Resource Scheduling Coordinators to annually calculate, report and cause to be verified emissions associated with electricity imported as deemed delivered to California by the EIM optimization model based on the results of each 5-minute interval.
- MRR section 95111(h)(2) *EIM Purchaser Emissions as Calculated by CARB*, states "Each year after the verification deadline in section 95103(f), CARB will calculate each EIM Purchaser's "EIM Purchaser Emissions" for the previous calendar year using information reported annually by EIM Participating Resource Scheduling Coordinators with imported electricity in EIM, retail sales in MWh reported annually by EIM Purchasers pursuant to 95111(h)(2)(B), and information received from CAISO under an annual subpoena." It states CARB will calculate EIM Purchaser Emissions using the equation provided, which shows "EIM Outstanding Emissions" being multiplied by the ratio of each EIM Purchaser's Retail Sales to the total Retail Sales of all EIM Purchasers.
- EIM Purchaser is defined as an electrical distribution utility that directly or indirectly purchases electricity through the EIM to serve California load and receives an allowance allocation pursuant to the Cap-and-Trade regulation.

It is unclear who will have the Cap-and-Trade compliance obligation for the "Deemed Delivered EIM Emissions". LADWP has the following specific questions:

- The definition of Electricity Importer states "For electricity that is imported into California through the CAISO Energy Imbalance Market, the electricity importer is identified as the EIM Participating Resource Scheduling Coordinators and EIM Purchasers serving the EIM market whose transactions result in electricity imports into California." Typically the electricity importer is responsible for the Cap-and-Trade compliance obligation for imported electricity. Since both the Scheduling Coordinator and EIM Purchaser are defined as the electricity

importer, will the compliance obligation be assigned to the EIM Participating Resource Scheduling Coordinator that reported the data, or will it be assigned to the EIM Purchasers?

For example, for EIM imports where LADWP is the Scheduling Coordinator, will the compliance obligation for "Deemed Delivered EIM Emissions" be assigned to LADWP solely, or will those emissions be divided among all EIM Purchasers based on retail sales? Who will be responsible for the compliance obligation for "Deemed Delivered EIM Emissions" where the California Independent System Operator (CAISO) is the Scheduling Coordinator?

- MRR section 95111(h)(2) states that CARB will use information reported by the EIM Participating Resource Scheduling Coordinators to calculate the "EIM Purchaser Emissions". However, the equation to calculate "EIM Purchaser Emissions" does not include a term for the "Deemed Delivered EIM Emissions" reported by the Scheduling Coordinators. The definition of terms for the equation states that "EIM Outstanding Emissions" equals the total emissions calculated pursuant to section 95111(h)(1). This is confusing, and could mean that the "EIM Outstanding Emissions" is the same as "Total California EIM Emissions" that CARB calculates by multiplying the "deemed delivered" MWh by the MRR default emission factor.

Does CARB plan to use only the "deemed delivered" MWh data but not the "deemed delivered" emissions data reported by the EIM Participating Resource Scheduling Coordinators? If so, what is the value of requiring the EIM Participating Resource Scheduling Coordinators to annually calculate, report and cause to be verified emissions associated with electricity imported as deemed delivered to California by the EIM optimization model based on the results of each 5-minute interval?

Thank you for your consideration of these comments. If you have any questions, please contact Ms. Jodean Giese at (213) 367-0409, or Ms. Cindy S. Parsons at (213) 367-0636.

Sincerely,



Mark J. Sedlacek  
Director of Environmental Affairs

CP:

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